Play 2

Identifying Costs

Sports Event Management and Marketing Playbook

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Identifying Costs: Overview

- Sports event expenses can be many and varied in nature
- Properly managing expenses is key to any successful event
- An event budget provides an outline of expected costs and provides guidance in planning
- Most costs occur before the tickets are sold!

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Key Terms

- Fixed costs – constant regardless of how successful/unsuccessful event is
  - Player/gear cost, rental fee, marketing costs, utilities, etc.
- Variable costs – increase/decrease as attendance or sales rise/fall
  - Staffing, food/service provided for guests, etc.
- Pro forma – general lease agreement while budget is being formed
- Front-of-house – personnel the public encounters the most (ticket takers, ushers, parking attendant, security, etc.
- Back-of-house – production crews, set up, branding manager, maintenance

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Typical Sports Event Expenses

- Facility
- Player and game related
- Event operations
- Marketing and promotion
- Sponsor fulfillment
- Guest management and hospitality
- Event presentation

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Facility Costs

- Start budget here – lease agreement creativity
  - Significant portion of costs
- Rent
  - Flat or variable
- Ticket sales deductions (commissions and taxes)
  - Negative revenues, not technically costs
- Facility labor
  - Included in lease or not?
- Equipment rentals
  - Facility providing any equipment?
- Maintenance and cleaning

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Player and Game Related

- Varies widely among different types of events
  - AAU, professional, college, etc.
- Accommodations
- Appearance fees
- Performance and field equipment
- Officiating
- Event prizes
- Scoreboards
- Temporary construction

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Event Operations

- Mostly straightforward
  - Can be estimated with price quotes
- Accounting
- Communications equipment
- Accreditation
- Insurance
  - Often overlooked, can be expensive
- Office space and supplies
- Legal fees
- Computers and software
- Vehicles

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Marketing and Promotion

- Marketing plan will be helpful in estimating costs
  - How, where, etc.
- Advertising agency fees
- Media accreditation
- Media center/workroom expenses
- Outdoor advertising
- Print advertising creative and space
- Press conference area
- Public relations agency expenses
- Radio advertising production and time
- **Social media content production and management**
- Television advertising production and time
- Website development and management

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Sponsor Fulfillment

- Sponsorship agreements can be complex
  - Can be unique from each other for same event
  - Fulfilling agreements is necessary to keep sponsors happy and possibly increase commitment in the future
  - Ensure sponsorship revenue matches benefits and that benefits do not exceed revenue
- Activation (e.g., fan activities, banners and signage)
- Advertising
- Complimentary tickets
- Hospitality (e.g., receptions)
- Hotel room amenities and gifts
- Post-event market research (e.g., sponsorship valuation, ROI analysis)
- Press conferences
- Sales materials (e.g., website design, printed proposals, research)
- Sales presentation expenses (e.g., travel, accommodations)

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Guest Management and Hospitality

- Custom ticket printing
- Guest transportation
- Hospitality suites
- Hotel accommodations and fees
- Information kiosks and printed information guides
- Information guide “apps”
- Invitation design, printing, postage, and RSVP software tracking
- Parties and receptions
- Pre-event communication
- Welcome gifts and room amenity drops

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Event Presentation

- Electricians and technical staff
- Lighting
- Music and voice recording
- Pre-game and intermission performer(s)
- Production staff
- Public address announcer
- Set design and construction
- Sound (e.g., equipment and production)
- Special effects (e.g., pyrotechnics, fog, lasers, confetti cannons)
- Stagehands and technical staff
- Staging and risers
- Video/visual elements production

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Capital Amortization

- Purchase of physical assets that can be reused for future events
  - Expense can be amortized or spread out for bookkeeping purposes over the course of their expected lifetime
- Often preferable and cost efficient to rent to avoid other additional costs
  - Upkeep, storage space, trucking, etc.
  - Assets not reaching expected lifespan
- However, custom built sets and may require purchase

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Misc. vs. Contingency

- Wise to include both in expense budget
  - Not the same
- Miscellaneous expenses are very small expenses that don't warrant their own budget category
  - Not for unexpected expenses
- Contingency line should represent between 10-15% of the event's total budgeted expenses
  - For emergencies and unexpected/unforeseen expenses

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Reforecasts

- Event organizers reforecast expense estimates after the budget has been finalized, throughout the planning, production, and execution phases leading to event day, and up until the books close after the event
- Numbers of official budget should not change; update with reforecast figures in separate column
- Reallocate budgeted funds originally overestimated in one area to another budget line that may be suffering from cost overages
- **All estimates must be realistic**

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Summary

- Critical analysis to identify all expense areas is paramount
- It is better to overestimate expenses and readjust later during reforecasting
- Amortization can help distribute costs over a multi-year event budget

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Assignment 2/Discussion

- Create an expense budget for a new college tournament in the sport of your choice featuring teams from five universities in your region.
  - Consider how your selected sport will affect estimates
  - Consider how the location of your tournament will affect estimates

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Assignment 2

- Can be submitted in bullet point format
- Rubric:
  - Start with a brief description of the event including which sport and where it will be hosted as well as who will be the host.
  - Include budget estimates for at least 3 expenses in each of the following categories:
    - Facilities costs
    - Player and game related
    - Event Operations
    - Marketing and Promotion
    - Sponsor Fulfillment
    - Guest Management and Hospitality
    - Event Presentation
  - Make sure that all budget estimates are realistic; use research to determine estimates and provide brief explanation of each estimate.
  - Make sure all estimates align with the event you have described.

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